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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Local Exchange Carrier Line
Information Data Base

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)
) CC Docket No. 92-24
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FILE

REPLY OF THE BELL ATLANTIC TELEPHONE COMPANIES

Most of the interexchange carriers opposing Bell Atlantic's¹ Direct Case focus their pleadings on subjects that really have nothing to do with Bell Atlantic's tariff for LIDB inquiries and whether the rates for that service are just and reasonable. Instead, these carriers use this proceeding to try to have the Commission require Bell Atlantic and the other exchange carriers to underwrite their toll fraud losses. The Commission should reject these diversions and conclude its investigation of this tariff.

Bell Atlantic has justified its costs and its rates. It demonstrated that the cost model it used to allocate SS7 costs among different services is reasonable. The specific quibbles contained in the oppositions are without merit and should be rejected.

1. LIDB Inquiry Service Is Properly Described in
Bell Atlantic's Tariff and Does Not Guarantee
Collectibility or the Absence of Any Fraud.

Bell Atlantic's LIDB tariff reasonably describes the service it offers. It tells a customer exactly what it is buying and all the terms and conditions applicable to the offering. Bell

¹ The Bell Telephone Company of Pennsylvania, the four Chesapeake and Potomac telephone companies, The Diamond State Telephone Company and New Jersey Bell Telephone Company.

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Atlantic's tariff, therefore, meets the requirements of the Communications Act.

In spite of the protests of some commentators,² this tariff is just like other tariffs in not containing every technical detail and characteristic of the service. These details are provided in the technical documents referenced in the tariff, and Bell Atlantic knows of no information carriers need that is not in these documents.³

The tariff discloses that a customer's use of Bell Atlantic's LIDB inquiry service does not guarantee that Bell Atlantic will be able to bill and collect the charges for the call. This is a reasonable limitation. A LIDB inquiry determines only whether the calling card or other information is accurate -- it cannot determine, for example, whether the person giving the calling card number to the interexchange carrier is authorized to do so.⁴ Bell Atlantic could design and price a LIDB service that did include such a guarantee, but that would be a very different offering -- and a more costly one -- than that contained in Bell Atlantic's tariff.

² MCI at 5-9; Allnet at 2-3.

³ MCI also asks whether there is any technical difference between the 56 kbps interoffice facilities used by Bell Atlantic for SS7 interconnection and those used for 56 kbps Digital Data Service. MCI at 18-19. There is none.

⁴ MCI says that it is just asking the exchange carriers "to warrant that the card is being used properly." MCI at 16. This is precisely what Bell Atlantic cannot do. See Direct Case of Bell Atlantic at 2-3.

This separation of LIDB validation from billing and collection is consistent with the Commission's recent order and its view of LIDB service. Last month, the Commission concluded that LIDB service is a common carrier communications service, separate and different from exchange carrier billing and collection services.⁵ Bell Atlantic's regulated LIDB service should not be responsible for the success or failure of its unregulated billing services.

Some commentators complain that Bell Atlantic is discriminating against them and in favor of AT&T.⁶ In particular, ITI and CompTel claim that through a billing agreement Bell Atlantic gives AT&T a better fraud "guarantee" than Bell Atlantic's LIDB tariff gives them -- ITI, for example claims that Bell Atlantic assumes liability "for all fraud occurring on AT&T's network" related to Bell Atlantic's calling card.⁷ Even if this statement were true -- and it is not -- it has nothing to do with Bell Atlantic's LIDB tariff.

The discrimination claim is without merit. AT&T pays exactly the same rate for LIDB service, under all the same terms and conditions, as ITI or any of CompTel's members. Thus, there is no discrimination in the provision of LIDB service.

⁵ In the Matter of Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards, CC Dkt. No. 91-115, Report and Order (released May 8, 1992) ("91-115 Order").

⁶ CompTel at 3-6; ITI at 5-9.

⁷ ITI at 4; see also CompTel at 4.

Bell Atlantic's billing and collection services are also provided on non-discriminatory terms. Ever since the Commission deregulated billing and collection services in 1986, Bell Atlantic has negotiated individual billing agreements with interexchange carriers. The Commission has found that these billing contracts need not be uniform -- "the terms of those agreements may reasonably vary depending upon the requirements of the LEC and the particular IXC."⁸ These agreements, like any commercial contract in an unregulated marketplace, allocate the risk of uncollectibles, fraud and other contingencies between the parties. These contracts reflect the actual collectibles experience of Bell Atlantic's billing customers, and the prices charged for these services are based on, among other things, these allocations of risk and experiences.⁹

It makes no sense, as the commentators propose, for the Commission to engraft on Bell Atlantic's LIDB tariff the terms of Bell Atlantic's billing contracts in general, or the terms of its agreement with AT&T in particular. The re-regulation of billing and collection through the LIDB tariffs would be inconsistent with the Commission's initiatives to decrease the areas of regulation.

⁸ 91-115 Order ¶ 37.

⁹ CompTel suggests that the costs of Bell Atlantic's billing contract with AT&T are somehow recovered through Bell Atlantic's LIDB service rates. CompTel at 5-6. This is nonsense. Billing and collection is an untariffed service and its costs are properly accounted for under the Commission's Rules.

**2. Bell Atlantic Has Adequately Justified
Its Proposed LIDB and Transport Rates.**

Bell Atlantic has provided more than enough information to justify its proposed rates.

Some commentators complain that they need to know more about CCSCIS. Allnet in particular claims that Bell Atlantic has provided no "meaningful detail" on this cost allocation program.¹⁰ This is simply not true. As part of its Direct Case, Bell Atlantic included a five-page single-spaced description of CCSCIS and how it works.¹¹ This demonstrated that CCSCIS is a reasonable tool for allocating costs among multiple services for rate-making purposes.

Sprint questions why Bell Atlantic used CCSCIS for some rate components and not for others.¹² CCSCIS is a common channel signaling cost system and was used only for the signaling components of the service. The specific accounts for which CCSCIS was used were disclosed in Bell Atlantic's Supplemental Direct Case.

Sprint complains that Bell Atlantic included in the costs of its LIDB service a portion of its costs of providing calling cards.¹³ This is entirely appropriate. The Commission has determined that LIDB systems are repositories of specialized

¹⁰ Allnet at 4.

¹¹ Supplemental Direct Case of Bell Atlantic, 144-1

information that exchange carriers obtain from their customers¹⁴ and that they are sources of the "original, accurate, and up-to-date" form of this information.¹⁵ It stands to reason, then, that Bell Atlantic should be able to recover through the LIDB rate a portion of the costs of generating this information and keeping it current.

These expenses also clearly benefit the users of Bell Atlantic's LIDB service.¹⁶ If Bell Atlantic did not incur the costs of getting calling cards into the hands of its customers, Sprint could not accept these cards and earn the revenues on the calls charged to them. It is, therefore, proper for Bell Atlantic to recover through this tariff the portion of its card-issuing costs that benefit Bell Atlantic's interstate LIDB customers.

¹⁴ 91-115 Order ¶ 19.

¹⁵ Id. ¶ 26.

¹⁶ MCI argues that it should get LIDB service for free because MCI is benefitting Bell Atlantic by "adding value" to the Bell Atlantic calling card by accepting it on its network. MCI at 24. The Commission already rejected this argument when it held that exchange carriers should recover their LIDB costs through a separate rate element. 91-115 Order ¶ 94.

MCI is also trying to re-write history -- or at least MCI's own past version of the truth. For example, MCI told the Commission in 1989 that "denial of such validation information to an IXC harms its ability to market its services, both in the LEC's territory and outside the LEC's calling area" (MCI's Opposition to Direct Case, In the Matter of Cincinnati Bell Tel. Co. Revisions to Tariff F.C.C. No. 35, Dkt. No. 89-323, at 2 (Sept. 7, 1989)) and told the Department of Justice that validation of Bell calling cards was "essential" to MCI's ability to compete for traffic from public phones (Letter from Michael E. Salsbury, counsel for MCI, to Nancy C. Garrison, Department of Justice, dated Feb. 10, 1988).

The commentators also raise questions about specific items in Bell Atlantic's cost support. In each instance, Bell Atlantic's accounting treatment was reasonable.

Allnet complains that Bell Atlantic "projects revenue that is far in excess of the stated revenue requirement."¹⁷ Allnet is wrong. As the workpaper indicates, Allnet is comparing Bell Atlantic's projected revenue with its direct costs, not with its revenue requirement.¹⁸

Sprint wonders why Bell Atlantic included investment in poles, aerial cables and conduit in its rate calculations and other exchange carriers did not.¹⁹ The simple answer for Bell Atlantic is that these rates recover such costs because they are incurred in providing these services. LIDB validation service requires these facilities to transmit updates to the LIDB system from database administration centers in three states. Such facilities are also used to carry queries from the STPs to the database, and these costs are recovered through the LIDB transport rate element.

Sprint also questions why the demand estimate for the LIDB query is different from the demand estimate used to develop the unit cost for the STP preparation expense portion of LIDB transport.²⁰ These demand figures should be different. For

¹⁷ Allnet at 5.

¹⁸ Supplemental Direct Case of Bell Atlantic, Workpaper F-17.

¹⁹ Sprint at 4.

²⁰ Id. at 10.

example, the query demand includes Bell Atlantic's own queries, in addition to those of exchange and interexchange carriers. The STP preparation expense was incurred to prepare the STP to receive queries from other networks -- that is, it was not necessary for handling Bell Atlantic queries. In addition, the query demand is an annualized figure, and the transport demand is a lump sum.

Commentors also question Bell Atlantic's cost of money. Allnet and MCI argue that the use of cost of money in excess of 11.25 percent is unreasonable,²¹ and Allnet is also critical of the fact that Bell Atlantic's cost of money factors vary by investment account and jurisdiction.²² As Bell Atlantic explained in response to a similar MCI argument in the ONA tariff proceeding,²³ Bell Atlantic used forward-looking estimates for the cost of money -- estimates of the return that investors will require in the future.²⁴ Because competition will significantly increase the risks that Bell Atlantic faces, investors will demand a return commensurate with the greater risks. Cost of money factors differ by account in order to accurately reflect depreciation periods which are different for each account and by

²¹ Allnet at 8; MCI at 24.

²² Allnet at 8 n.19.

²³ Bell Atlantic's Direct Case, CC Dkt. No. 92-91, at 3-5 (May 18, 1992).

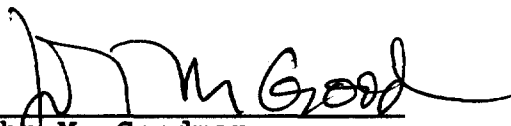
²⁴ This cost of money is not related to the Commission's prescribed rate of return. The rate or return is an average industry figure, representing the Commission's assessment of the cost of debt and equity in 1989. It is not appropriate to use such a figure in a forward-looking cost model.

state because of the differing costs of capital for the different operating companies.

Conclusion

For these reasons, and those set out in Bell Atlantic's Direct Case, the Commission should conclude its investigation of Bell Atlantic's LIDB tariff and approve it as reasonable and in the public interest.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Reply of the Bell Atlantic Telephone Companies" was served this 15th day of June, 1992, by delivery thereof by first class mail, postage prepaid, to the parties on the attached list.



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